Ministry of
Finance

2004/05
Annual Service Plan Report

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* *Refer to note on page 3.*

106-00490/

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PLEASE NOTE: On June 16, 2005, the government ministries were re-organized to reflect the new cabinet responsibilities. Many of the website addresses and links in this printed report may have changed following the government re-organization.

- A list of the new ministries is available on the government website at http://www.gov.bc.ca — follow the links to Ministries and Organizations.
- An index of all 2004/05 Annual Service Plan Reports, with up-to-date website links, is available online at http://www.bcbudget.gov.bc.ca/annualreports/.

Message from the Minister

In fiscal 2004/05, the Ministry of Finance continued its track record of leadership and achievement in financial management. The ministry played a central role in helping the government fulfill its commitments to restore sound fiscal management, balance the budget, and revitalize British Columbia's economy.

British Columbia is a leader in timely and transparent financial reporting. In 2004/05, the Ministry of Finance built on this success when British Columbia became the first province in Canada to introduce a balanced budget and fiscal plans prepared in accordance with Generally Accepted Accounting Principles (GAAP) — the benchmark for accurate financial reporting in both the public and private sectors. British Columbia is the only province with legislation that requires the use of GAAP for estimates, budgets, quarterly reports and public accounts.

The ministry's success in restoring sound fiscal management was recognized by Standard and Poor's, Moody's Investor Service, and Dominion Bond Rating Service. Each of the three major credit rating agencies upgraded the Province's credit rating, citing British Columbia's consistent achievement of annual budget targets. They also cited B.C.'s solid economic performance, transparent budgeting and reporting practices, and low taxpayer-supported debt-to-GDP ratio.

The Ministry of Finance continued to improve its operations and services, reduce and streamline regulatory requirements, and modernize key pieces of legislation to improve British Columbia's economic climate. These on-going efforts helped British Columbia achieve strong employment growth, a lower unemployment rate, and rising business confidence and investment. Statistics Canada's preliminary gross domestic product figures for 2004 show British Columbia led all other provinces in economic growth — the first time since 1987 that B.C. finished in first place.

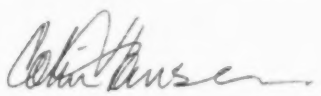
In 2004/05, the ministry achieved its three-year deregulation target through amendments to the *Financial Institutions Act*, the *Credit Union Incorporation Act*, and related regulations. These amendments eliminated unnecessary red tape and streamlined regulatory responsibilities. New *Real Estate Services* and *Real Estate Development Marketing* Acts were introduced to ensure the real estate sector is better able to respond to a changing marketplace while enhancing consumer protection.

An expansion of online services is making it faster and easier for companies to exchange information with different levels of government. To meet modern business needs, a "one-stop" single business number service now allows people starting, moving or expanding a business to deal with a wide range of public agencies at one website, thereby avoiding duplication and speeding up services.

A strong economy, increased federal transfers, and sound fiscal management helped generate a $2.6 billion surplus and a $1.9 billion reduction in total provincial debt. British Columbia's improved fiscal performance provides a strong foundation upon which the government can continue to plan budget surpluses over the next three years while simultaneously increasing investments in health care, education, and other priority services.

I want to acknowledge the outstanding contributions made by all ministry staff during the past fiscal year. Their professionalism and expertise helped the government to meet important goals, including a stronger economy, balanced budgets, and improved credit ratings. On behalf of British Columbians, I am proud of their efforts and achievements, which are presented in greater detail in this service plan report for fiscal year 2004/05.

The 2004/05 Ministry of Finance Annual Service Plan Report compares the actual results to the expected results identified in the ministry's 2004/05 Service Plan. I am accountable for those results as reported.



Honourable Colin Hansen
Minister of Finance

June 15, 2005

Highlights of the Year

Fiscal Stewardship

- **2004/05 Balanced Budget:** The ministry oversaw the achievement of government's plan to balance the budget beginning in 2004/05. Final results for 2004/05 included a record surplus of $2.6 billion. This improvement resulted from stronger taxation, natural resource and federal government transfer revenues, as well as sound expenditure management.
- **On-going Balanced Budgets:** The ministry maintained government's commitment to balancing the budget on an on-going basis. The fiscal plan tabled in the Legislature on February 15, 2005[1] forecast a $220 million surplus in 2005/06, followed by surpluses of $200 million in each of 2006/07 and 2007/08. These surpluses were accomplished in conjunction with significant increases to funding for health care, education and social services.
- **Credit Rating Upgraded:** The three major credit rating agencies (Moody's Investors Service, Standard and Poor's, and the Dominion Bond Rating Service) upgraded the province's debt rating based on the province consistently meeting its annual budgetary targets, solid economic performance, transparent financial and budgeting and reporting practices, and relatively low debt to GDP ratio.
- **Debt Reduction:** Government made a record debt paydown of $1.94 billion in 2004/05 through prudent management of the fiscal plan and forecast surpluses.
- **Debt to GDP ratio:** Reduced debt levels and a relatively strong economy reduced the taxpayer-supported debt as a percentage of GDP from 20.6 per cent last year to 18.3 per cent this year and according to Moody's, we ranked second among the provinces (Moody's calculations, April 2005).
- **Effective Debt Management:** Interest expenses for provincial government direct debt in 2004/05 totaled $677 million versus the budgeted amount of $800 million. Savings of $123 million were due to reduced borrowing requirements, lower-than-forecast interest rates, a stronger-than-expected Canadian dollar and rating upgrades from three major domestic and international credit rating agencies.

Comprehensive and Transparent Financial Reporting

- **Full Compliance with Generally Accepted Accounting Principles (GAAP):** Fiscal 2004/05 is the first year in which government is fully compliant with GAAP, as established by the Public Sector Accounting Board of Canada. Accordingly, the province leads the country in the expansion of government reporting entity to include Schools, Universities, Colleges, Health Authorities and Hospital Societies (SUCH sector) providing a more accurate and comprehensive understanding of government's financial responsibilities and fiscal performance.

[1] Since the February 2005/06 Budget was not passed prior to the Spring 2005 election, the government will present updated estimates in accordance with *Budget Transparency and Accountability Act* requirements, in September 2005.

- **Accurate Financial Reporting:** 2004/05 is the first year since 1995/96 that the Auditor General has not placed a reservation on government's *Financial Statements*.

Cross-Government Financial Leadership

- **Efficient Public Administration:** More than 97 per cent of the recommendations provided to ministries through Internal Audit reviews are either implemented or planned for implementation. Internal Audit reviews identified more than $22 million in potential savings available to ministries through the adoption of improved business practices.
- **Innovative Business Processes:** Significant progress has been made in supporting the implementation of an electronic procurement system (iProcurement) across government. Achievements include review and updating of government's financial policy and the financial control framework as well as the delivery of training to more than 1,500 Expense Authority officers detailing their new responsibilities under the amended *Financial Administration Act*.

Intergovernmental Fiscal Relations and Federal Funding Achievements

- **Secure Federal Health Care Funding:** The ministry, in conjunction with the Premier's Office, Intergovernmental Relations Secretariat (IGRS) and the Ministry of Health Services, negotiated an agreement which will provide the province with an additional $5.4 billion in federal funding for health care over the next ten years (2004/05 - 2013/14). The new funding will help ensure our health system is sustainable, and will be invested in enhancing health services to meet the priority needs of British Columbia.
- **Predictable Federal Equalization Payments:** The ministry, in conjunction with the Premier's Office and IGRS, negotiated a new framework for Equalization, which includes substantial increases in federal funding to the province in 2004/05 and 2005/06. Compared to Budget 2004, equalization payments were $578 million higher in 2004/05, and $170 million higher in 2005/06. These higher amounts allowed the province to make some much needed investments in infrastructure and contributed to our record debt pay down in 2004/05.

Support For A Competitive Business Environment

- **Supported a competitive tax environment:**
  - — Maintained the 25 per cent reduction in personal income taxes. As a result, British Columbia has the lowest tax rates in the country for the bottom two-income tax brackets and the second lowest for individuals in the top personal marginal tax rate.
  - — Introduced the BC Tax Reduction to reduce or eliminate provincial personal income tax for low and modest income taxpayers earning less than $26,000 annually.
  - — Maintained the 18 per cent reduction in the general corporate income tax rate.
  - — Provided targeted tax relief including property tax for small hydroelectric projects, increased incentives for film and television production and increased the threshold for the small business tax rate.

- **Streamlining and Deregulation:** Completed the ministry's three-year deregulation initiative that eliminated unnecessary regulations, improved responsiveness to the needs of stakeholders and maintained appropriate controls. Key reforms included:
  - Significant amendments to the *Financial Institutions Act* and the *Credit Union Incorporation Act* and related regulations to eliminate unnecessary restrictions and requirements, streamline regulatory responsibilities, and expand enforcement tools available to regulators.
  - Enactment of the new *Real Estate Service Act* and the *Real Estate Development Marketing Act* to ensure that the real estate sector can more quickly respond to changes in the marketplace, serve consumers better, streamline the process for developers' marketing activities and maintain consumer protection.
- **Technological Innovation:** Expanded electronic incorporation, corporate filings, business registration and business address change services available to the private sector. Benefits include streamlined processes, reduced costs, expanded access and improved timeliness of service for clients. These solutions were recognized with the *Technology in Government Award* for both project management and best systems development initiative over $1 million as well as runner-up in the *Premier's Award For Innovation*.
- **Continuous Improvement:** The ministry has undertaken a comprehensive review of its planning processes and has established an *Integrated Planning Framework* that centrally coordinates all of the organization's critical planning functions (budgets, service planning, Enterprise-wide Risk Management, Information Resource Management and Human Resource Management). This initiative was developed with the participation of all areas of the ministry and will provide improved strategic, operational and program level information to management and staff.

  Areas of the ministry that directly support development of the budget conducted an annual assessment of the process to identify opportunities for future improvement. Activity Based Management and Internal Audit reviews were also utilized by a number of areas, including corporate services, to improve efficiencies and monitor financial controls.

Ministry Role and Services

Vision

To be a responsive organization that is a model for leadership in promoting sound fiscal management and governance in an open and accountable public-sector environment.

Mission

To develop a sustainable fiscal plan, to prudently manage government finances, and to create a sound policy and regulatory framework that supports the creation of a strong and vibrant economy.

Values

Our Values are:	Our Leadership Philosophy is to:
Accountability	• Be accessible and responsive to our client needs. • Measure and report on our performance at all levels. • Recognize achievement and learn from our mistakes. • Support a risk-based management system that encourages competency and performance based excellence. • Focus resources and analysis on those activities that present the greatest opportunities or pose the greatest risk to the government's fiscal and economic plan.
Innovation	• Explore new partnerships and ideas about how we do our business. • Embrace technological change to capture new opportunities. • Make strategic investments in our people.
Respect and Integrity	• Focus on our customers and clients. • Provide leadership and encourage teamwork. • Value diversity and differences of opinion. • Protect confidentiality of information.
Trust and Honesty	• Keep our activities and outputs open and transparent. • Respond to feedback from the public and our clients. • Ensure clear and open communication.

Ministry Overview, Core Business Areas and Structure

Ministry Overview

The Ministry of Finance plays a key role in establishing, implementing and monitoring government's economic, fiscal and taxation policies. The ministry provides a variety of functions and activities including banking, accounting, financial and economic reporting, risk and debt management, regulating the financial and real estate sectors, and serving as the registrar of corporate entities, personal property and manufactured homes. Through the Public Sector Employers' Council, which is chaired by the Minister of Finance, the ministry also helps to co-ordinate labour relations policies and practices across the public sector.

The ministry's clients include Treasury Board, Cabinet, Government Caucus Committees, ministries, agencies, boards, commissions, Crown corporations, businesses, investors and financial-sector agencies. Through its support of these clients, the ministry also broadly serves the people of British Columbia.

Ministry Goals

The ministry uses five key goals to guide its activities:

1. Implementing government's three-year fiscal plan and balancing the budget beginning in 2004/05.
2. Creating a tax and regulatory climate that stimulates economic growth.
3. Effective and efficient financial and risk management.
4. Comprehensive, timely and transparent financial planning and reporting.
5. A progressive, innovative and knowledgeable workforce.

These goals are discussed in greater detail beginning on page 23 of this report.

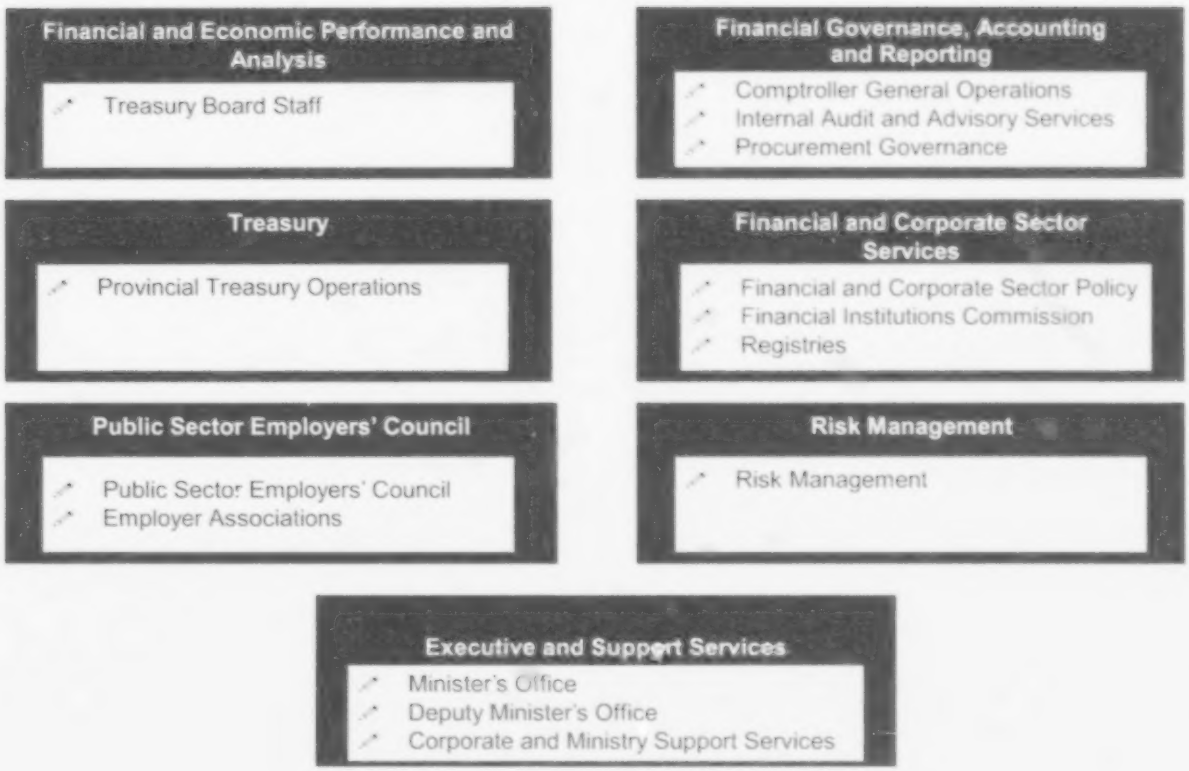
Core Business Areas and Structure

The ministry provides a wide range of functions related to our mandate of promoting sound fiscal management and governance in the provincial government. In order to efficiently and effectively deliver these functions, the ministry has been structured into seven core business areas. Each of these core business areas has specific responsibilities for the provision of programs and services. The core business areas include:

1. Financial and Economic Performance and Analysis.
2. Financial Governance, Accounting and Reporting.
3. Treasury.
4. Financial and Corporate Sector Services.
5. Public Sector Employers' Council.
6. Risk Management.
7. Executive and Support Services.

Collectively, these core business areas include all of the ministry's programs and services and directly contribute to at least one of our goals.

Ministry Organization



Core Business Area 1: Financial and Economic Performance and Analysis.

Purpose

- To provide prudent fiscal analysis and advice that supports the achievement of balanced budgets, improves the province's business climate and sustains cost-effective public services.

Core Activities

- Develop the government's three-year fiscal plan and identify, assess, monitor and manage significant risks and opportunities relating to the plan.
- Provide financial, economic, revenue, capital, tax policy, and intergovernmental fiscal relations advice to the Minister, Treasury Board, Cabinet, Government Caucus Committees, government ministries and agencies, and other stakeholders.
- Manage the government budget and estimates reporting process.
- Produce the budget, estimates, quarterly reports, and the budget consultation document; as well as internal reports and related analysis.

- Create the best opportunity for the Province to influence the level and structure of federal funding by ensuring BC's interests are represented at federal-provincial and inter-provincial negotiations of federal-provincial fiscal arrangements (e.g., health and social transfers, equalization).
- Collaborate with the Crown Agencies Secretariat in the evolving governance and reporting relationships between Crown corporations and agencies and the Minister of Finance to provide timely notice of changing financial outlooks that could affect the government's fiscal plan.
- Collaborate with the Ministries of Health Services, Advanced Education and Education in the evolving governance and reporting relationships between the Minister of Finance and the SUCH sector (Schools, Universities, Colleges, and Health Authorities) to provide timely notice of changing financial outlooks that could affect the government's fiscal plan.
- Work with client ministries and agencies on government strategic projects including public private partnerships and, alternative service delivery initiatives to ensure maximum return and value for money for the taxpayers of British Columbia.

Core Business Area 2: Financial Governance, Accounting and Reporting.

Purpose

- To assure the accuracy and integrity of provincial public sector financial reporting and maintain a framework of best practices for financial and procurement management.

Core Activities

- Prepare and publish the *Public Accounts* and contribute to other financial reports for timely reporting, decision-making, and financial transparency, and work with the Auditor General and accounting standards organizations on appropriate accounting standards and their application to the province.
- Provide financial and procurement management regulation by establishing streamlined legislation, policies, and procedures that define the framework for government, and provide assurance that the framework is operating as intended.
- Provide risk based internal audit services to support ministry and cross-government performance. Monitor management's implementation of audit recommendations and increase communication with stakeholders.
- Provide accounting policy advice and analysis to ministries, Crown corporations, agencies and the schools, universities, colleges and health authorities (SUCH) sector, resulting in financial information that is consistent with Generally Accepted Accounting Principles.
- Provide accounting advice on public private partnerships (P3s), alternative service delivery and other financing proposals to assess their accounting and reporting impacts.
- Provide a leadership role in the cross-government implementation of electronic procurement through governance frameworks and business process reviews.
- Apply a risk-based approach and other leading management practices to managing government resources that minimizes administration costs and preserves appropriate financial and procurement controls.

- Identify policy, systems and training issues and recommend systemic improvements by monitoring compliance with financial and procurement policy.

Core Business Area 3: Treasury.

Purpose

- To provide British Columbians with the benefits of cost effective debt management and banking resulting in lower expenditures and to improve online government services through electronic banking support.

Core Activities

- Deliver cost effective banking, cash management, and electronic banking services to ministries, Crown corporations and government agencies.
- Ensure the borrowing needs for the provincial government and its agencies are met, provide support for corporate and project finance initiatives, and efficiently manage debt, settlement operations, and reporting.
- Manage investor relations initiatives and act as the primary liaison with domestic and international credit rating agencies.
- Provide a three-year debt servicing plan as well as monthly, quarterly and annual debt reporting and forecasts for the provincial *Quarterlies*, *Public Accounts* and provincial *Budget*.
- Provide financial advisory services to support alternative service delivery and public private partnerships projects.

Core Business Area 4: Financial and Corporate Sector Services.

Purpose

- To ensure that the province's financial services sector is reliable, competitive and enjoys the confidence of British Columbians and to provide personal property and corporate registry services that meet the needs of the marketplace.

Core Activities

- Oversee the financial services and real estate sectors including:
  - — operation of the Financial Institutions Commission (FICOM) and the Credit Union Deposit Insurance Corporation;
  - — regulation of credit unions, trust companies, pension plans, insurance companies, captive insurance companies, and insurance licensees;
  - — regulation of real estate licensees and mortgage brokers; and
  - — provision of policy analysis and advice to government in support of legislative frameworks for the regulation of the province's financial services, real estate, corporate, and commercial sectors.

- Operate registries services including:
  - registration of all business entities, non-profit organizations, and co-operatives that operate in British Columbia.
  - maintenance of registries of security interests (liens) in personal property and of the ownership and location of manufactured homes in the province.
- Manage the *OneStop Business Registry*. Established as a public sector partnership involving the three levels of government, Workers Compensation Board of British Columbia, and the business community, the registry provides integrated services to business and significant cost savings to the public and private sectors through:
  - *Business Number* — a service that provides the ability for each business interacting with the public sector in BC to be assigned a Business Number (BN) — a unique identifier that makes working with the federal, provincial and municipal levels of government simpler, easier and more convenient, while improving service and voluntary compliance levels for public sector partners.
  - *Business Registration* — a service that enables a business to register with multiple public sector agencies in one step.
  - *Business Address Change* — a service that enables a business to notify multiple public sector agencies of an address change, in one step.

Core Business Area 5: Public Sector Employers' Council.

Purpose

- To foster an efficient and effective workforce through the coordination of public sector labour relations policies and practices.

Core Activity

- Set and coordinate strategic directions in human resource management and labour relations and advise government with respect to labour relations and pension and benefits issues in the provincial public sector.

Core Business Area 6: Risk Management.

Purpose

- To reduce accidental and business losses in the provincial public sector through the development of comprehensive risk management and self-insurance programs.

Core Activities

- Provide risk management services in the areas of risk identification and assessment processes, risk transfer, risk financing, risk mitigation, claims/litigation management, and security and business continuity planning.
- Develop and manage comprehensive risk management programs that seek to minimize the risks the provincial public sector faces by virtue of its programs, operations and assets, including public education, health care, Crown corporations, and other public entities.

Core Business Area 7: Executive and Support Services.

Purpose

- To provide strategic leadership and corporate support services that contributes to the success of all core business areas.

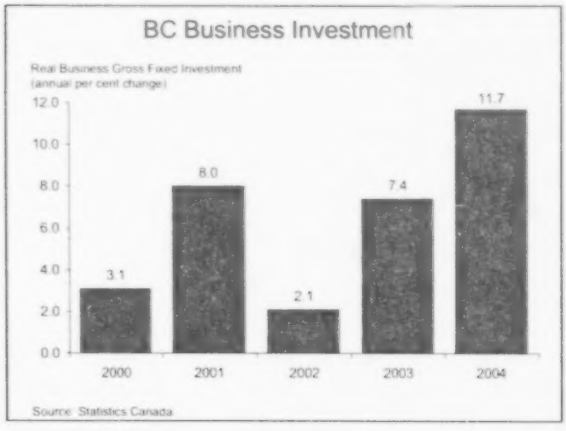
Core Activities

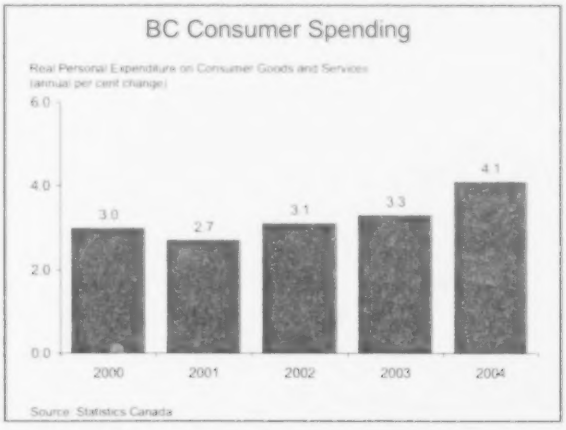
- Executive and administrative support to the Minister and Deputy Minister of Finance's offices.
- Strategic support to the Ministry of Finance as well as the Ministry of Management Services, Ministry of Provincial Revenue, Office of the Premier, BC Public Service Agency, Government House and other public sector entities. Service areas include finance, human resources, information management, and information access and records services.
- Support implementation of the ministry's new Integrated Planning Framework, which consolidates key planning functions (budgeting, service planning, risk management, human resources and information technology) across the ministry.

Ministry Operating Context

Provincial Economy

The British Columbia economy grew 3.9 per cent in 2004, leading all provinces, after growth of 2.5 per cent in 2003. Domestic activity continued to be the main driver of economic growth last year. Business investment grew by 11.7 per cent. Growth in housing starts of 25.8 per cent in 2004 led to residential construction investment growth of 14.8 per cent. Additionally, machinery and equipment investment, supported by a stronger Canadian dollar, saw growth of 20.0 per cent in 2004. Consumer spending, which accounts for about two-thirds of all economic activity in the province, grew 4.1 per cent in 2004, supported low interest rates and strong employment growth of 2.3 per cent in 2004. Despite the continued rise of the Canadian dollar against the U.S. dollar in 2004 total exports of goods and services grew by 4.9 per cent. Imports of goods and services grew by 6.4 per cent in 2004.

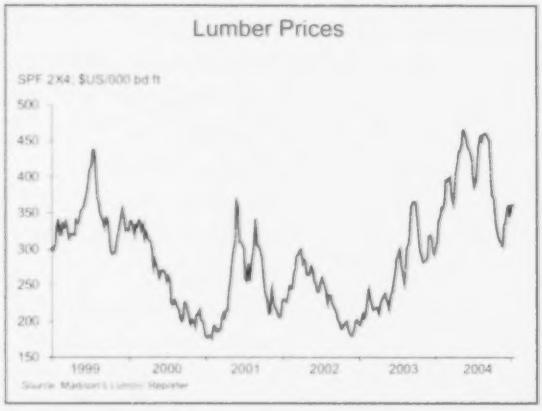




External Factors

Commodity Prices

Commodity prices for most natural resources including oil, natural gas, lumber and pulp and paper fluctuated considerably over the course of the year. Overall, prices for BC's exports grew at an average rate of 3.4 per cent in 2004.



Canadian Dollar

The Canadian dollar averaged 76.8 cents US in 2004, up from 71.4 cents in 2003. The dollar ended the year strongly averaging 82.0 cents US in December 2004. The strong Canadian dollar in 2004 was due in part to U.S. dollar weakness, resulting from concerns surrounding the ability of the U.S. to finance its large current account and budget deficits. The negative effects of a higher Canadian dollar on BC exports were partly offset by higher commodity prices in 2004. The upside of the higher Canadian dollar is that consumers benefit due to increased purchasing power and businesses that invest in foreign machinery and equipment can take advantage of lower costs. For example, business investment in machinery and equipment rose 20.0 per cent in 2004, up from 1.3 per cent in 2003.

Softwood Lumber Dispute

Countervailing and anti-dumping duties imposed by the United States on Canadian softwood imports in May 2002, totaling 27 per cent, continued to weigh on the province's forest industries and the communities and families they support.

Federal Funding

Federal funding to the province increased significantly in 2004/05 due to agreements on healthcare and equalization formulas.

Government-wide

Program Demand

There has been an increase in the demand for public services in British Columbia due to a number of factors, including population growth and infrastructure requirements. In 2004, population grew by 1.1 per cent due to both increased migration into the province as well as a natural internal increase. This increase in population combined with the infrastructure needs of a growing economy have put additional pressures on health, social services and other programs.

Revenues

Strong provincial economic growth supported by federal funding and higher forestry and natural gas prices resulted in higher than projected revenues for 2004/05. These additional revenues contributed to the government's $2.6 billion surplus in 2004/05 and also allowed a $1.94 billion pay down of the provincial debt.

Ministry Specific

Expanded Fiscal Mandate

Government's move to fully comply with GAAP, integration of the Schools, Universities, Colleges and Health Authorities (SUCH) sector into the Government Reporting Entity significantly impacted existing practices and workloads within the ministry. Two core businesses in particular were affected, due to the nature of their work: Financial and Economic Performance and Analysis; and Financial Governance, Accounting and Reporting.

The resulting additional workloads and on-going accommodation of evolving financial standards were successfully managed within budget and on schedule through:

- strengthened partnerships with members of the SUCH sector;
- standardized policies, procedures and financial training;
- expansion of financial systems to affected entities;
- effective project management practices; and,
- dedication and expertise of ministry staff.

New Era Commitments Made

Since 2001, the Ministry of Finance has achieved each of the 28 *New Era* commitments assigned to the ministry. Following is a list of the 28 items achieved:

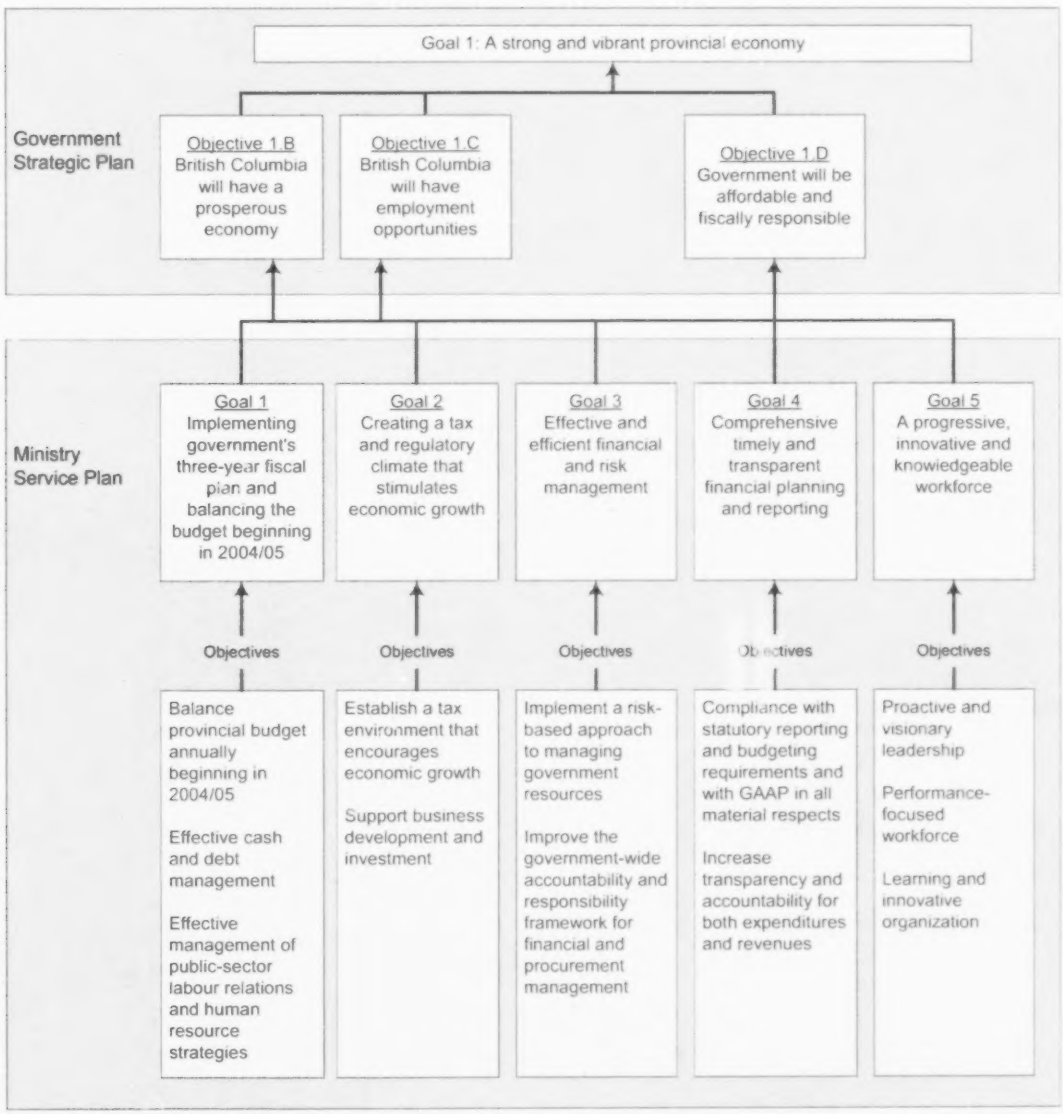
- Conduct a comprehensive audit of the province's finances within 90 days and make results public.
- Introduce a dramatic cut in personal income taxes within first 90 days.
- Increase funding for Auditor General's office to help identify and prevent waste and increase value for money.
- Eliminate the use of special warrants.
- Establish service plans that include measurable performance standards and targets for all programs that are annually audited and published.
- Require Crown corporations to be directly accountable to a committee of the legislature for their financial management and budget plans.
- Phase out taxes on investment and productivity in keeping with our commitment to balance the budget and protect health care and education funding.
- Pass real balanced budget legislation to make balanced budgets mandatory by our third full budget (2004/05) and to hold all ministers individually accountable.
- Pass real Truth in Budgeting legislation that ensures all provincial finances are fully, accurately and honesty reported under generally accepted accounting principles.
- Establish a fixed date for the tabling of the provincial budget.
- With Core Review introduce greater competition in auto insurance to create increased choice and reduce motor vehicle premiums.
- With the Ministries of Health Planning and Education, protect funding for health care and education and increase funding as economic growth increases government revenues.
- With the Ministry of Education, maintain current funding arrangements for independent schools.
- With the Ministry of Advanced Education, support the current five per cent tuition cut and tuition freeze and fully fund it in the current fiscal year to offset costs to post-secondary institutes.
- Give school boards multi-year funding envelopes to improve long term education planning and budgeting.
- Eliminate the provincial sales tax on basic school supplies purchased by parent advisory councils.
- With the Ministry of Advanced Education, increase research funding for colleges, universities and institutes.
- With the Ministry of Health Planning:
  - — Maintain current $9.3 billion budget for Health;
  - — Provide health regions with 3-year rolling funding commitments, updated annually;
  - — Fund health regions at a level necessary to meet needs; and
  - — Fulfill B.C.'s obligations under the *Canada Health Act* to properly fund and provide access to all medically necessary services.

- With the Ministries of Health Planning and Health Services, fully fund the $125 M mental health initiative.
- With the Ministries of Health Planning and Health Services, protect current funding to abortion services.
- With the Intergovernmental Relations Secretariat, work with the federal government to ensure that our tax treatment of stock options and capital gains is globally competitive.
- With the Intergovernmental Relations Secretariat and Community Ministry, increase First Nations program funding, together with federal government, to solve urban challenges and build capacity.
- With Community Ministry, double First Citizens Fund to $72 million to support native friendship centres, student bursaries and economic development programs.
- With Forestry, apply one per cent of all direct forest revenues, not including super stumpage, to global marketing of B.C.'s forest practices and products.
- With Forestry, return super stumpage revenues to the areas that produce the wealth.

Report on Performance

Overview of Ministry Goals and Linkage to Government Strategic Goals

Each of the Ministry of Finance's goals and objectives remain consistent with and directly contribute to the achievement of the Government Strategic Plan goal of a "*strong and vibrant provincial economy*". The ministry's role in contributing to the success of the Government Strategic Plan is illustrated below.


Goal 1: A strong and vibrant provincial economy
Government Strategic Plan
Objective 1.B British Columbia will have a prosperous economy
Objective 1.C British Columbia will have employment opportunities
Objective 1.D Government will be affordable and fiscally responsible
Ministry Service Plan
Goal 1 Implementing government's three-year fiscal plan and balancing the budget beginning in 2004/05
Goal 2 Creating a tax and regulatory climate that stimulates economic growth
Goal 3 Effective and efficient financial and risk management
Goal 4 Comprehensive timely and transparent financial planning and reporting
Goal 5 A progressive, innovative and knowledgeable workforce
Objectives
Objectives
Objectives
Objectives
Objectives
Balance provincial budget annually beginning in 2004/05
Effective cash and debt management
Effective management of public-sector labour relations and human resource strategies
Establish a tax environment that encourages economic growth
Support business development and investment
Implement a risk-based approach to managing government resources
Improve the government-wide accountability and responsibility framework for financial and procurement management
Compliance with statutory reporting and budgeting requirements and with GAAP in all material respects
Increase transparency and accountability for both expenditures and revenues
Proactive and visionary leadership
Performance-focused workforce
Learning and innovative organization

The Ministry of Finance had established five goals in our Service Plan 2004/05 – 2006/07 that guided our activities over the course of the past year. These goals continue to reflect the strategic shifts driven by government's *New Era* commitments and include:

1. Implementing government's three-year fiscal plan and balancing the budget beginning in 2004/05.
2. Creating a tax and regulatory climate that stimulates economic growth.
3. Effective and efficient financial and risk management.
4. Comprehensive, timely and transparent financial planning and reporting.
5. A progressive, innovative and knowledgeable workforce.

The following section provides further information on the purpose and intended outcomes associated with each of these goals. A number of high-level objectives are also linked to their respective goals to illustrate progress and performance as the ministry pursued our intended future.

Goal 1: Implementing government's three-year fiscal plan and balancing the budget beginning in 2004/05.

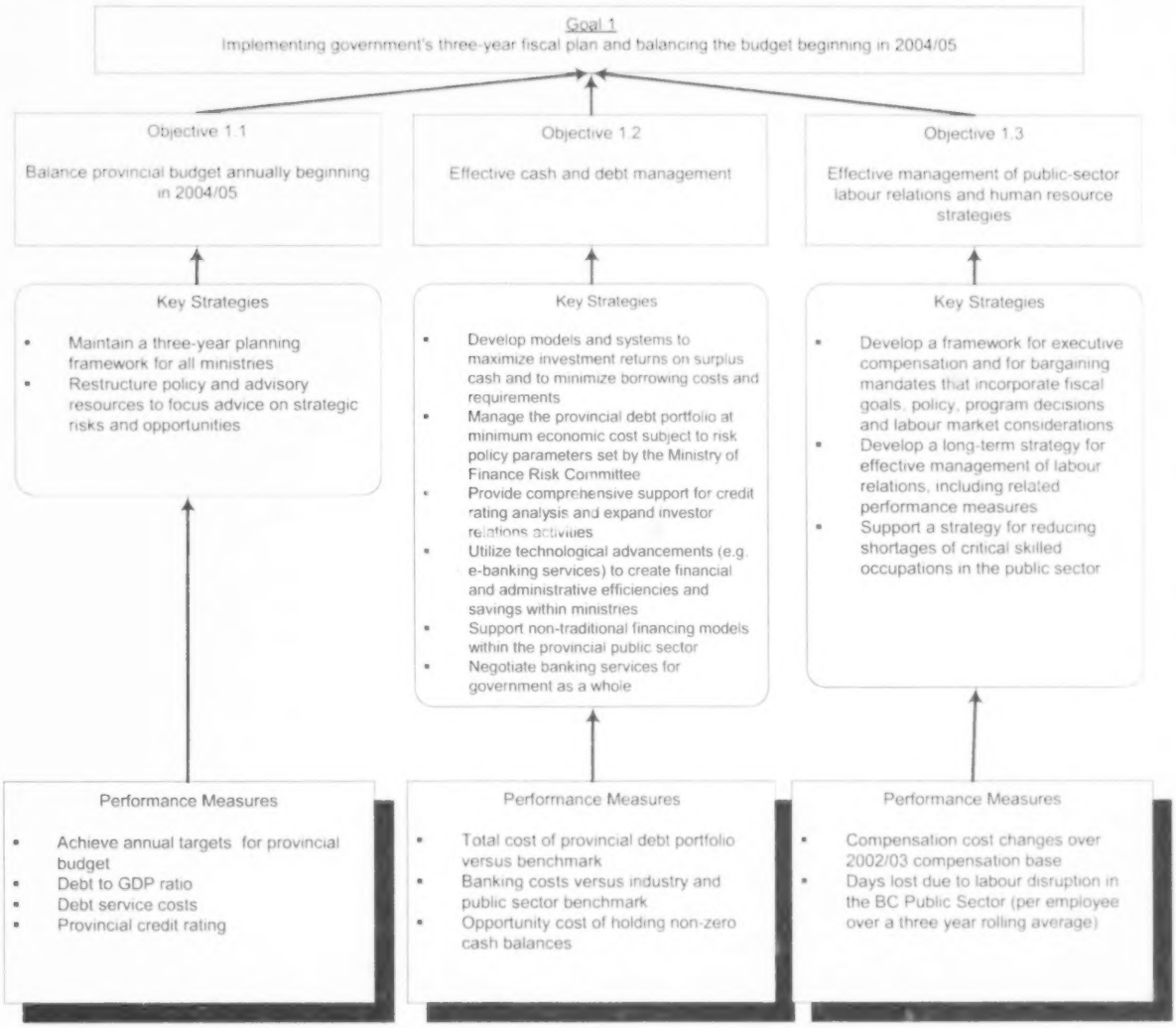
A strong and vibrant provincial economy is a key goal in the government's three-year strategic plan. The ministry assisted government in achieving this goal by maintaining a competitive tax regime and assisting ministries to meet their budget and service plan targets, thereby eliminating the structural deficit and balancing the budget in accordance with the requirements of the *Balanced Budget and Ministerial Accountability Act*. The ministry also coordinated the management of labour relations policies and practices in the public sector to foster an efficient and effective workforce.

Objectives

1.1 Balance provincial budget annually beginning in 2004/05.

1.2 Effective cash and debt management.

1.3 Effective management of public-sector labour relations and human resource strategies.


Goal 1
Implementing government's three-year fiscal plan and balancing the budget beginning in 2004/05
Objective 1.1
Balance provincial budget annually beginning in 2004/05
Objective 1.2
Effective cash and debt management
Objective 1.3
Effective management of public-sector labour relations and human resource strategies
Key Strategies
Maintain a three-year planning framework for all ministries
Restructure policy and advisory resources to focus advice on strategic risks and opportunities
Key Strategies
Develop models and systems to maximize investment returns on surplus cash and to minimize borrowing costs and requirements
Manage the provincial debt portfolio at minimum economic cost subject to risk policy parameters set by the Ministry of Finance Risk Committee
Provide comprehensive support for credit rating analysis and expand investor relations activities
Utilize technological advancements (e.g. e-banking services) to create financial and administrative efficiencies and savings within ministries
Support non-traditional financing models within the provincial public sector
Negotiate banking services for government as a whole
Key Strategies
Develop a framework for executive compensation and for bargaining mandates that incorporate fiscal goals, policy, program decisions and labour market considerations
Develop a long-term strategy for effective management of labour relations, including related performance measures
Support a strategy for reducing shortages of critical skilled occupations in the public sector
Performance Measures
Achieve annual targets for provincial budget
Debt to GDP ratio
Debt service costs
Provincial credit rating
Performance Measures
Total cost of provincial debt portfolio versus benchmark
Banking costs versus industry and public sector benchmark
Opportunity cost of holding non-zero cash balances
Performance Measures
Compensation cost changes over 2002/03 compensation base
Days lost due to labour disruption in the BC Public Sector (per employee over a three year rolling average)

Objective 1.1: Balance provincial budget annually beginning in 2004/05.

The province eliminated the government's structural deficit and balanced the budget in 2004/05 in accordance with the requirements of the *Balanced Budget and Ministerial Accountability Act*.

Successfully balancing the provincial budget in 2004/05 represented a significant achievement for government, the ministry and all British Columbians and directly contributed to the achievement of government's three-year strategic plan goal of "A strong and vibrant provincial economy". Looking forward the ministry will continue to work to ensure future budgets are balanced and continue to assist in identifying opportunities to reduce the overall debt burden and improve the province's debt to GDP ratio, which is currently among the lowest of the Canadian provinces.

Core Business: Financial and Economic Performance and Analysis.

Key Strategies

- Maintain a three-year planning framework for all ministries.
- Restructure policy and advisory resources to focus advice on strategic risks and opportunities.

  Included the SUCH sector in the budget and fiscal plan, and assisted with on-going monitoring and management of risks. For 2004/05, the sector improved upon their budget targets.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Achieve annual targets for provincial budget	$1.299 B deficit	$3.199 B deficit	$1.339 B deficit	Balanced Budget ($100 M surplus)	$2.6 billion surplus	$2.5 billion surplus

Selection Rationale: Government's ability to achieve balanced budgets requires adherence to specific budget targets. Financial and Economic Performance and Analysis (Treasury Board Staff) worked closely with the respective ministries' executives on an on-going basis to monitor progress in meeting the approved spending and revenue targets.

Variance information: Actual results for 2004/05 exceeded the budgeted surplus of $100 million by $2.5 billion. The target was exceeded due to a number of factors including strong economic performance, higher than budgeted commodity prices, increased federal transfer payments and improved net incomes of commercial Crown corporations.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Debt to GDP Ratio *(Provincial ranking — Moody's)*	2nd Lowest	2nd Lowest	2nd Lowest	In the Lowest 3	2nd Lowest	On Target

Selection Rationale: Maintaining a relatively low taxpayer-supported Debt-to-GDP ratio signifies a healthy balance sheet and means affordable debt levels. Rating agencies rely on this balance-sheet measure as one among a number of important credit rating considerations.

Variance information: The target was exceeded due to reduced debt levels and a relatively strong economy. BC ranked second lowest amongst the provinces led only by Alberta.

Note — See provincial comparisons of Taxpayer supported Debt as a percentage of GDP in Appendix 5.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Debt service costs *(Provincial ranking — Moody's)*	2nd Lowest	2nd Lowest	2nd Lowest	2nd Lowest	2nd Lowest	On Target

Selection Rationale: A relatively low ratio of taxpayer-supported debt service cost to taxpayer-supported revenues or "interest bite" demonstrates fiscal prudence and an affordable debt burden. Rating agencies rely on this measure as one among a number of important credit rating considerations.

For every dollar of revenue that the government collects, Moody's estimated in May 2005 that as of March 31, 2005 approximately 6.0 cents goes towards debt service costs. Moody's cites low interest costs relative to revenue as a positive factor in reviewing the province's financial statements.

Variance information: The target was achieved. BC ranked 2nd lowest in terms of debt service costs as a percentage of revenue among the provinces, led only by Alberta. The province's strong performance was explained by revenues from a strong economy combined with a reduced debt burden and relatively low interest rates.

Note — See provincial comparisons of the Ratio of Taxpayer Supported Debt Service Costs to Taxpayer Supported Revenues in Appendix 5.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Provincial credit rating *(Moody's)*	Aa2	Aa2	Aa2	Aa2	Aa1	On Target

Selection Rationale: The interest rate paid by the Province when it borrows in the domestic and international capital markets is influenced by the credit ratings supplied by third party agencies. In determining a credit rating, agencies consider the borrower's ability to promptly pay the interest and principal due based upon the borrower's balance sheet and income statement.

Variance information: Moody's Investor Service upgraded BC's rating to Aa1 in March 2005 citing the government's consistent achievement of fiscal targets, reduced debt burden, and tax and regulatory changes that strengthened the economy. This is the first time since 1989 that Moody's has increased the province's credit rating, and it moves BC to the second-best rating among the provinces.

Two other major credit rating agencies also upgraded the province's credit rating during fiscal 2004/05: Standard & Poor's to AA and Dominion Bond Rating Service to AA.

Note — See table of comparative provincial credit ratings in Appendix 5.

Objective 1.2: Effective cash and debt management.

In 2004/05, government managed cash flows totaling more than $100 billion. Debt service cost for the total provincial debt in 2004/05 is estimated to be $2.145 billion. Of this amount, $677 million relates to government operating debt. Accordingly, improvement in the oversight and delivery of cash and debt management on behalf of all government and client programs offers an important opportunity to reduce costs and redirect resources to priority services.

Core Business: Treasury.

Key Strategies

- Develop models and systems to maximize investment returns on surplus cash and to minimize borrowing costs and requirements.

- Manage the provincial debt portfolio at minimum economic cost subject to risk policy parameters set by the Ministry of Finance Risk Committee which is comprised of senior government officials and external appointees.
- Provide comprehensive support for credit rating analysis and expand investor relations activities.
- Utilize technological advancements (e.g., e-banking services) to create financial and administrative efficiencies and savings within ministries.
- Support non-traditional financing models within the provincial public sector.
- Negotiate banking services for government as a whole.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Total cost of provincial debt portfolio versus benchmark	N/A	N/A	Under Development	Exceed Benchmark Performance	Benchmark 4.68% per year Province 4.53% per year	15 basis points

Selection Rationale: The total cost of the portfolio reflects the cumulative effect of all decisions made by Treasury (Debt Management Branch) in managing the provincial debt. Comparison of the performance of the provincial debt portfolio with the Risk Committee's benchmark portfolio provides a measure of the value and effectiveness of the debt management services.

Variance information: The performance of the provincial debt portfolio is largely dependent on two factors: foreign currency exposure and interest rate exposure. With respect to foreign currency exposure, 4.5 per cent of the provincial debt portfolio is composed of Japanese yen liabilities, and the portfolio performed well relative to the benchmark as the Canadian dollar outperformed the yen. With respect to interest rate exposure, the provincial debt portfolio did not perform as well relative to the benchmark, as it held longer-term debt than the benchmark and was unable to take full advantage of falling interest rates. The foreign currency outperformance outweighed the interest rate underperformance, for a net outperformance of 15 basis points.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Banking costs versus industry and public sector benchmark	N/A	N/A	25% Lower	25% Lower	19% lower than benchmark	6 percentage points lower

Selection Rationale: The Province administers and negotiates fees for approximately 1,300 bank accounts on behalf of numerous public sector organizations. Effective management of these accounts will reduce administrative costs and allow those resources to be dedicated to the delivery of programs and services. The benchmark is based on an independent survey of bank fees paid by similar size organizations for similar services.

Variance information: The provincial government, in common with most institutional clients of financial services, experienced fewer opportunities to reduce costs as long cycles of cost reductions coupled with financial industry restructuring has resulted in a diminished opportunity for savings. Traditional savings resulting from negotiated and discount pricing have been curtailed as financial institutions refine product costing and consolidate back-end processing. Looking to the future, the ministry expects to minimize impact of future pricing increases through an on-going re-tendering of banking business.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Opportunity cost of holding non-zero cash balances	N/A	N/A	<$300k	<$300k	$205,440	$94,560

Selection Rationale: If the Province leaves surplus cash in its bank accounts, it earns less interest than if it placed the surplus in overnight investments. Conversely, if the province is in overdraft, it pays more in overdraft fees than it earns in its short-term investments.

On a daily basis, Provincial Treasury tracks anticipated cash flows and closely monitors bank balances, then either invests the surplus to maximize interest earnings or borrows to fund the overdraft to minimize overdraft expenses. However, not all cash flows can be accurately forecast, and the province's bank accounts may be in surplus or overdraft on any given day.

Variance information: Positive performance due to enhanced cash management techniques and careful monitoring of the Province's financial position on a daily basis. Specifically, intelligence on client cash balances was improved through better coordination and communications, and enhancement of the Cash Flow Forecasting System to record the daily cashed cheques specific to each ministry.

Objective 1.3: Effective management of public-sector labour relations and human resource strategies.

Compensation costs are a significant component of the provincial budget. Accordingly, effective management of the provincial fiscal plan requires the establishment of appropriate and sustainable compensation levels. Labour market analysis and frameworks are also critical for attracting and retaining those highly-skilled workers that remain critical to the delivery of many public services.

Core Business: Public Sector Employers' Council.

Key Strategies

- Develop a framework for executive compensation and for bargaining mandates that incorporate fiscal goals, policy, program decisions and labour market considerations.
- Develop a long-term strategy for effective management of labour relations, including related performance measures.
- Support a strategy for reducing shortages of critical skilled occupations in the public sector.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Compensation cost changes over 2002/03 compensation base	N/A	$17.43 B	$16.09 B	$16.09 B	$16.023 B	($0.067 B)

Selection Rationale: Incremental changes in compensation cost are an indicator of government's ability to control costs and continue to provide vital services. An understanding of compensation cost changes also provides a basis for comparison with the private sector labour market and the growth of the provincial economy.

Variance information: Lower health sector compensation costs were due to savings from new collective agreements for the Community and Facilities subsectors. Lower Crown corporation compensation costs were due to operations at BC Rail and PNE no longer being part of the provincial public sector.

These savings were partially offset by increases in the colleges and institutes and universities sectors due to increased capacity rather than increased collective agreement settlement costs.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Days lost due to labour disruption in the BC Public Sector (per employee over a three-year rolling average)	105% higher than the Canadian average — 0.634 days lost per Public Sector worker	30% higher than the Canadian average — 0.584 days lost per Public Sector worker	5.7% higher than the Canadian average — 0.448 days lost per Public Sector worker	+/-10 % of Canadian average	5.3% higher than the Canadian average — 0.641 days lost per Public Sector Worker	5.3% is within the target of +/-10% of the Canadian average

Selection Rationale: Days lost due to labour disruptions from strikes or lockouts is a measure of the stability of the public sector labour relations climate. A stable public sector labour relations climate contributes to a favourable external analysis of the investment climate of a jurisdiction. These results exclude the federal public sector.

Variance Information: While BC's actual days lost per employee was higher in 2004/05 than in 2003/04 (largely due to a strike in the health sector) the overall Canadian average was also higher.

Goal 2: Creating a tax and regulatory climate that stimulates economic growth.

The Ministry of Finance continues to play a critical role in the development of a healthy investment climate in the province. Specifically, the ministry is responsible for delivering on the government's commitment to establish a competitive tax environment to support business development and investment. Initiatives that the ministry has undertaken to improve the province's business climate include:

- reducing the general corporate income tax rate by three percentage points.
- introducing a provincial sales tax exemption for production machinery and equipment.
- eliminating the corporation capital tax for general corporations.
- several sector specific tax measures.

In addition to the tax cuts focused on increasing business investment, the ministry has also delivered on the government's promise to reduce personal income taxes and ensure the personal tax burden of British Columbians is among the lowest in the country.

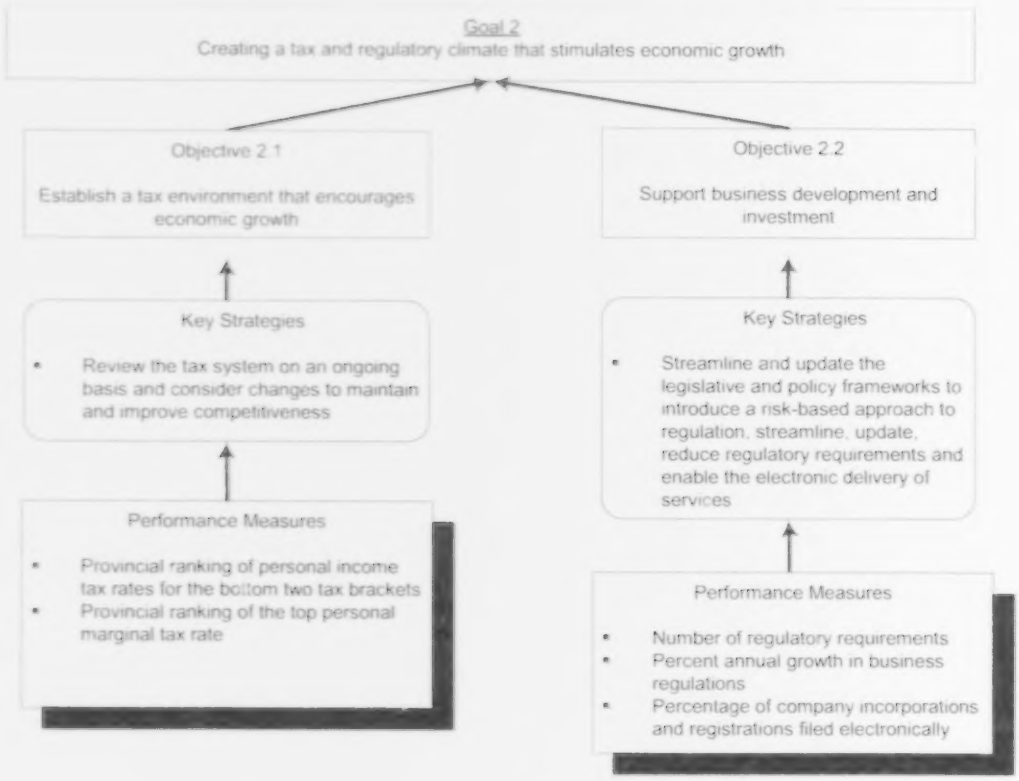
The ministry also supports the government's goal of reducing regulation and red tape, thereby making it easier and more attractive for business to locate and invest in the province. Ministry initiatives include:

- review of legislation that regulates the financial services, real estate and corporate sectors, to introduce a risk-based regulatory approach and to update, streamline and reduce regulatory burden.
- leadership in creating e-government solutions through the electronic delivery of all corporate and personal property registration services.

Objectives

2.1 Establish a tax environment that encourages economic growth.

2.2 Support business development and investment.


Goal 2
Creating a tax and regulatory climate that stimulates economic growth
Objective 2.1
Establish a tax environment that encourages economic growth
Objective 2.2
Support business development and investment
Key Strategies
• Review the tax system on an ongoing basis and consider changes to maintain and improve competitiveness
Key Strategies
• Streamline and update the legislative and policy frameworks to introduce a risk-based approach to regulation, streamline, update, reduce regulatory requirements and enable the electronic delivery of services
Performance Measures
• Provincial ranking of personal income tax rates for the bottom two tax brackets
• Provincial ranking of the top personal marginal tax rate
Performance Measures
• Number of regulatory requirements
• Percent annual growth in business regulations
• Percentage of company incorporations and registrations filed electronically

Objective 2.1: Establish a tax environment that encourages economic growth.

The competitiveness of the taxation environment is a critical consideration for businesses and individuals in deciding whether to invest in the province. Jurisdictions with high tax regimes fail to attract or retain investment. As a result, their economic growth is limited and they forego the resulting additional revenues that sustain government services such as health and education.

Core Business: Financial and Economic Performance and Analysis.

Key Strategy

- Review the tax system on an on-going basis and consider changes to maintain and improve competitiveness.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Provincial ranking of personal income tax rates for the bottom two tax brackets	Lowest	Lowest	Lowest	Lowest	Lowest	On target

Selection Rationale: This performance measure stems from the Government's *New Era* commitment to cut the base personal income tax rate to the lowest rate of any province in Canada for the bottom two tax brackets on the first $60,000 of income. Keeping these tax rates low is consistent with the objective of maintaining a competitive tax system that encourages investment and innovation.

Variance Information: This target was achieved.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Provincial ranking of the top personal marginal tax rate	In the Lowest 2	In the Lowest 3	In the Lowest 3	In the Lowest 3	2nd Lowest	On target

Selection Rationale: Comparison of provincial top marginal personal income tax rates is a key component in the decision-making processes of investors, in choosing where to invest, and of firms in choosing where to locate.

Variance Information: This target was achieved.

Objective 2.2: Support business development and investment.

An important mechanism to promote investment and innovation in the province is the creation of an efficient and effective regulatory and policy framework. Unnecessary regulatory requirements increase the cost of doing business in the province resulting in wasted time and effort for both individuals and businesses. Alternatively, streamlined legislative and policy frameworks supported by the electronic delivery of services can improve investor and consumer protection while acting as a driver for further business development and investment.

Core Business: Financial and Corporate Sector Services.

Key Strategy

- Streamline and update the legislative and policy frameworks to introduce a risk-based approach to regulation, streamline, update, reduce regulatory requirements and enable the electronic delivery of services.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Number of regulatory requirements (2004/05 target is a 1/3 reduction from 2001/02 baseline of 41,382)	41,382	34,706 (-16%)	28,194 (-31.9%)	27,700 (-33%)	23,646 (-43%)	(-4,054) 10 percentage points

Selection Rationale: Regulatory burden is a key consideration for individuals and firms considering whether to invest in the Province. Reducing red tape by eliminating unnecessary regulations improves the competitiveness of British Columbia's business environment and contributes to its economic growth. An important indicator of the overall regulatory burden on business is the number of regulatory requirements.

Variance Information: Implementation of the *Real Estate Services Act* and the *Real Estate Development Marketing Act* resulted in significant reductions in the ministry's regulatory count.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Per cent annual growth in business registrations	1.7% (43,304)	12.6% (48,767)	5.4% (51,401)	5% (53,622)	4.4% (53,304)	-0.6 percentage points (-318)

Selection Rationale: An increase in the number of businesses operating in the province is an indicator of the Government's success in creating a tax and regulatory climate that stimulates economic growth.

Variance Information: Growth in company registrations was 8%. This was offset by no growth in the registration of partnerships and proprietorships. Registries' data on newly-created partnerships and proprietorships is not complete because such entities do not always register unless required to do so by third parties.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Percentage of company incorporations and registrations filed electronically	71%	77%	84.1%	90%	95%	5%

Selection Rationale: The transfer of paper-based registration and filing to electronic self-service over the Internet improves customer service at reduced costs. Registering parties are able to complete their transactions when they require it, pay for the service and obtain confirmation all in real time. Among the services offered electronically were the incorporation of companies through Corporate Online, beginning in April 2004. This is in addition to the registration of partnerships through OneStop, plus corporate filings, encumbrances (liens) on personal property and ownership and location of manufactured homes in the province, all through BC Online.

Variance Information: The expansion of the Registries' electronic service delivery model, namely Corporate Online and One-Stop resulted in an increase in electronic filings.

Goal 3: Effective and efficient financial and risk management.

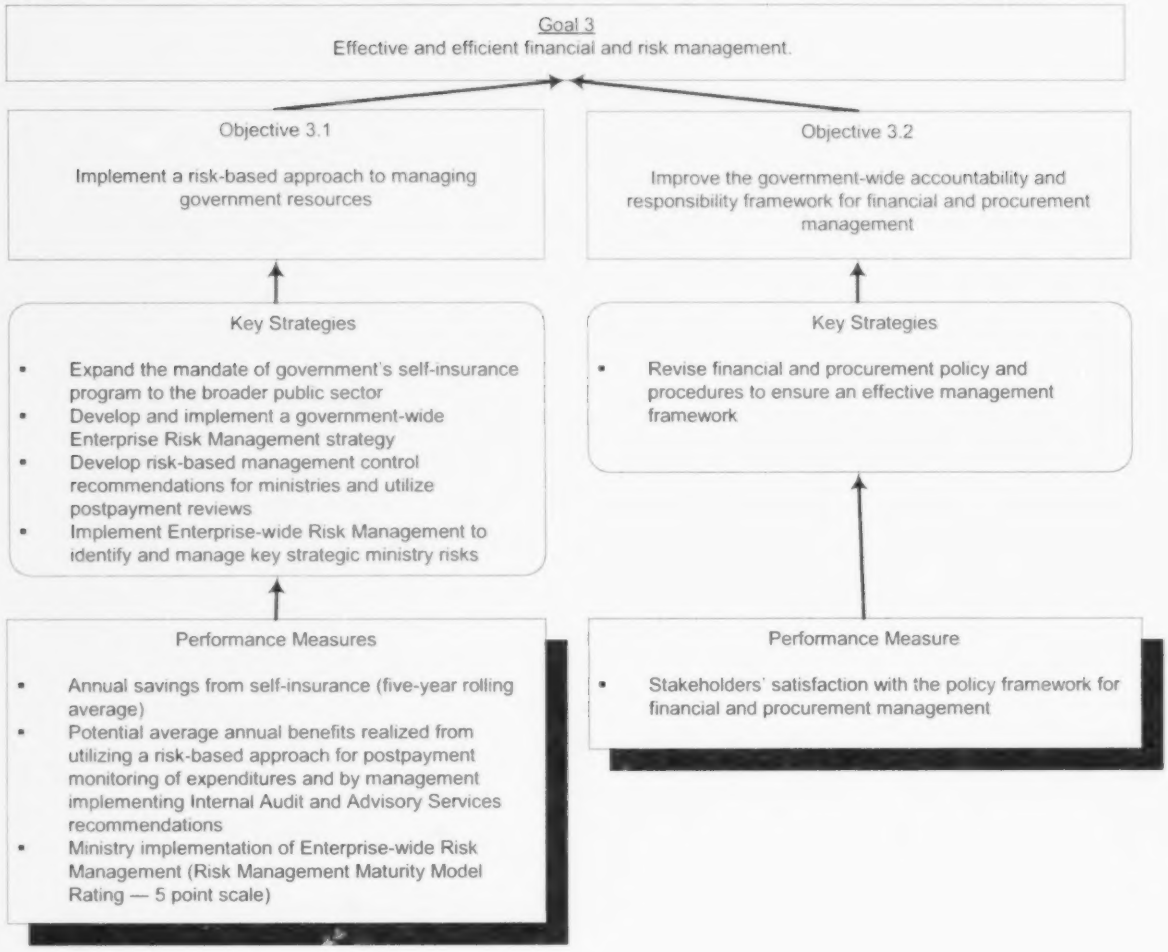
The Ministry of Finance continues to be responsible for government's overall financial and risk management framework. This involves the establishment of appropriate legislation, policies, procedures and training and reporting at a corporate level to ensure the province's resources and obligations are appropriately managed in support of effective service delivery. The framework reinforces individual and corporate accountabilities for outcomes, maintains the corporate standards for stewardship of resources, management of liabilities and risk, and the collection and disbursement of public funds.

Key activities included financial, procurement and accounting policy development, internal audit and advisory services, risk management, and compliance monitoring.

Objectives

3.1 Implement a risk-based approach to managing government resources.

3.2 Improve the government-wide accountability and responsibility framework for financial and procurement management.


Goal 3
Effective and efficient financial and risk management.
Objective 3.1
Implement a risk-based approach to managing government resources
Objective 3.2
Improve the government-wide accountability and responsibility framework for financial and procurement management
Key Strategies
Expand the mandate of government's self-insurance program to the broader public sector
Develop and implement a government-wide Enterprise Risk Management strategy
Develop risk-based management control recommendations for ministries and utilize postpayment reviews
Implement Enterprise-wide Risk Management to identify and manage key strategic ministry risks
Key Strategies
Revise financial and procurement policy and procedures to ensure an effective management framework
Performance Measures
Annual savings from self-insurance (five-year rolling average)
Potential average annual benefits realized from utilizing a risk-based approach for postpayment monitoring of expenditures and by management implementing Internal Audit and Advisory Services recommendations
Ministry implementation of Enterprise-wide Risk Management (Risk Management Maturity Model Rating — 5 point scale)
Performance Measure
Stakeholders' satisfaction with the policy framework for financial and procurement management

Objective 3.1: Implement a risk-based approach to managing government resources.

Creation of risk-based frameworks that reinforce individual and corporate accountabilities provide opportunities to reduce unnecessary constraints, realize efficiencies and improve outcomes for the ministry and government as a whole. Risk-based practices are adopted only if they can demonstrate consistency with government priorities and add value using an optimal mix of resources and funding.

Core Business: Risk Management; Financial Governance, Accounting and Reporting; and Executive and Support Services.

Key Strategies

- Expand the mandate of government's self-insurance program to the broader public sector.
- Develop and implement a government-wide Enterprise-wide Risk Management strategy.

- Develop risk-based management control recommendations for ministries and utilize post payment reviews.
- Implement Enterprise-wide Risk Management to identify and manage key strategic ministry risks.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Annual savings from self-insurance (five-year rolling average)	N/A	$30.1 million	$43.1 million	$35.4 million	$47.5 million	$12.1 million

Selection Rationale: The Ministry of Finance's coordination of public sector self-insurance programs allows the provincial government to cost-effectively retain selected risks rather than transfer them at a premium to third parties. Self-insurance involves government assuming the role of a traditional insurer by investigating, defending and paying claims. Since 1986 self-insurance programs have saved the province more than $600 million. These cost savings allow participating ministries, hospitals, health care agencies, school boards and social service agencies to direct their resources instead to the delivery of core services.

Variance information: Private insurance costs have increased significantly over the past two years, reflecting the cyclical nature of the insurance industry and lower returns on investments. The self-insurance program has not experienced the same cyclical downturn and as a result has generated savings in excess of the target.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Potential average annual benefits realized from utilizing a risk-based approach for post-payment monitoring of expenditures and by management implementing Internal Audit and Advisory Services recommendations	N/A	$5.7 million	$13.8 million	$5.2 million	$24 million	$18.8 million

Selection Rationale: The target is to recover the operational costs of Internal Audit and Advisory Services ($4 million) plus approximately $1.2 million for the activities of post-payment monitoring.

Variance Information: The actual savings vary from year to year, but the potential savings identified in fiscal 2004/05 audits total $22.8 million, plus the savings of $1.2 million from post-payment reviews for a total of $24 million. These potential savings exceed the targeted savings from conducting internal audit reviews by $18.8 million.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Ministry implementation of Enterprise-wide Risk Management (Risk Management Maturity Model Rating — 5 point scale)	N/A	N/A	2	3	3	On target

Selection Rationale: The Risk Management Maturity Model has been selected by Risk Management as the standard cross-government tool for evaluating the implementation of Enterprise-wide Risk Management within an organization. The instrument uses a five-point scale (1 lowest and 5 highest) to explore aspects of:

- Organizational Philosophy and Culture
- Risk Management Leadership and Commitment
- Integration with Other Management Practices and Systems
- Risk Management Capabilities
- Reporting and Control

Variance Information: High performing organizations with well established risk management regimes have consistently found that the transition to higher levels of maturity requires time and commitment. Over the past year, the ministry has taken a number of steps, including strategic and operational risk assessments and development of the Integrated Planning Framework, to support this transformation and remains on track to achieve its intended outcome of a strong risk-based culture, process and organizational capacity.

Objective 3.2: Improve the government-wide accountability and responsibility framework for financial and procurement management.

The accountability and responsibility framework is a key management control that is increasingly important as risk-management techniques are employed government-wide. It is critical that both financial and program managers are familiar with their responsibilities for effective financial and procurement management.

Core Businesses: Financial and Procurement Governance, Accounting and Reporting.

Key Strategy

- Revise financial and procurement policy and procedures to ensure an effective management framework.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Stakeholders' satisfaction with the policy framework for financial and procurement management	N/A	N/A	Determined Baseline at 44%	Exceed Baseline Performance	60%	16%

Selection Rationale: Government is transitioning from a control framework based on "command and control" to one based on performance measurement and personal accountability for results. This has resulted in a significant reduction (70%) in the volume of core policy related to financial and procurement management. Ensuring that the policy framework provides sufficient guidance to managers while avoiding an overly prescriptive approach is essential. Accordingly, survey results from managers and other stakeholders will provide information for improving the framework and its implementation.

Variance information: 2003/04 actual based on client satisfaction with the financial management policy area only. The procurement policy was only recently established in 2003/04 and it was too soon to survey it. The fiscal 2004/05 actual is an average of the financial policy area (57%) and the procurement policy area (62%) based on the June, 2004 survey. Key areas of improvement include maintaining policy on a timely basis, streamlining processes and providing complete and timely advisory services to ministries.

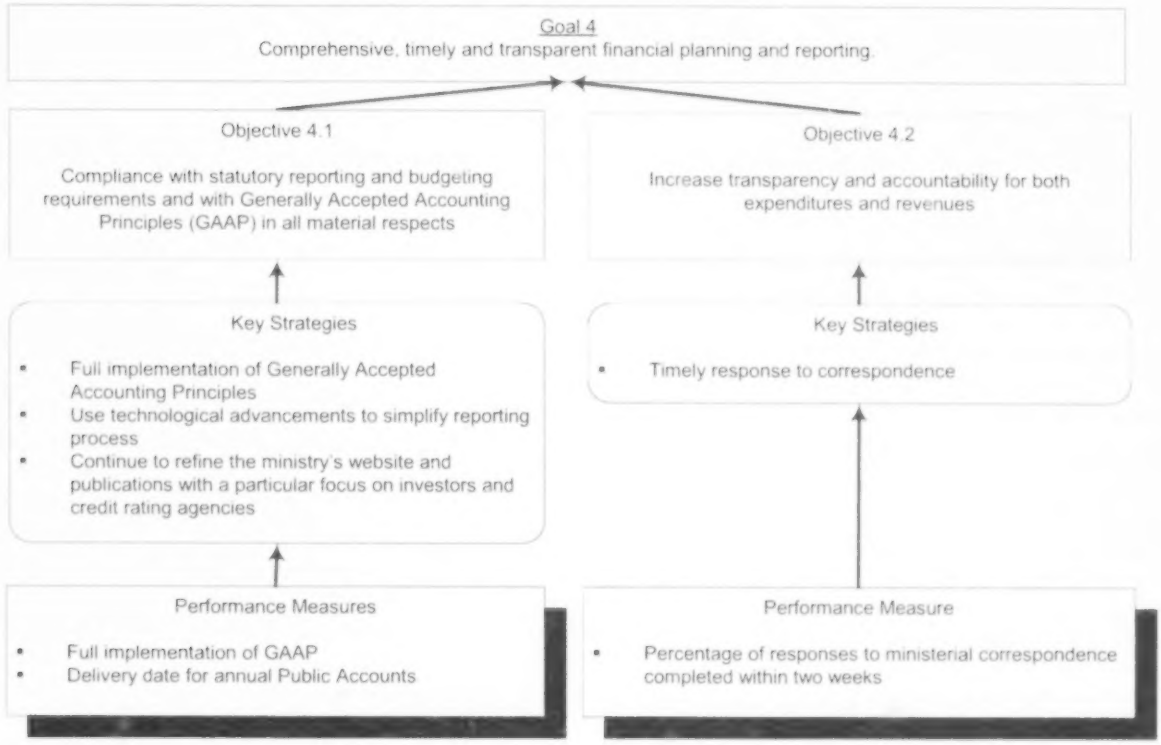
Goal 4: Comprehensive, timely and transparent financial planning and reporting.

Government adhered to its legislated commitment to fully comply with Generally Accepted Accounting Principles (GAAP) beginning April 1, 2004. British Columbia is a leader among the provinces in this regard. Financial results and updated forecasts as compared to the budget are publicly reported quarterly and annually in accordance with legislated dates. Accounting practices, policies and procedures are developed and maintained in order to support the accuracy, completeness, timeliness and reliability of these reports. Accounting advice and assistance is provided on new initiatives, existing business operations and systems development.

Objectives

4.1 Compliance with statutory reporting and budgeting requirements and with Generally Accepted Accounting Principles (GAAP) in all material respects.

4.2 Increase transparency and accountability for both expenditures and revenues.


Goal 4
Comprehensive, timely and transparent financial planning and reporting.
Objective 4.1
Compliance with statutory reporting and budgeting requirements and with Generally Accepted Accounting Principles (GAAP) in all material respects
Objective 4.2
Increase transparency and accountability for both expenditures and revenues
Key Strategies
Full implementation of Generally Accepted Accounting Principles
Use technological advancements to simplify reporting process
Continue to refine the ministry's website and publications with a particular focus on investors and credit rating agencies
Key Strategies
Timely response to correspondence
Performance Measures
Full implementation of GAAP
Delivery date for annual Public Accounts
Performance Measure
Percentage of responses to ministerial correspondence completed within two weeks

Objective 4.1: Compliance with statutory reporting and budgeting requirements and with Generally Accepted Accounting Principles (GAAP) in all material respects.

Generally Accepted Accounting Principles for senior governments form the basis of government's accounting practices. These principles continue to be developed by the Public Sector Accounting Board, requiring that the ministry be cognizant of emerging changes and be able to apply them. The Public Accounts for fiscal 2004/05 are the first set of annual statements that are fully compliant with GAAP and without a reservation by the Auditor General.

Core Business: Financial Governance, Accounting and Reporting; and Financial and Economic Performance and Analysis.

Key Strategies

- Full implementation of Generally Accepted Accounting Principles.
- Use technological advancements to simplify reporting process.
- Continue to refine the ministry's website and publications with a particular focus on investors and credit rating agencies.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Full implementation of GAAP	Partial	Partial	Partial	Full	Full	On target

Selection Rationale: Full implementation of GAAP by 2004/05 meets a legislated requirement in the *Budget Transparency and Accountability Act*. Implementation places British Columbia among the leading provincial jurisdictions in Canada to be compliant with the standards established by the Public Sector Accounting Board.

Variance Information: GAAP was fully implemented for the *2004/05 Public Accounts* issued on June 29, 2005.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Delivery date for annual Public Accounts	July 11, 2002	June 27, 2003	June 29, 2004	June 30, 2005	June 29, 2005	On target

Selection Rationale: Timely release of financial reporting is critical for effective use of the information and helps instill public confidence in government's ability to manage its resources. The *Budget Transparency and Accountability Act* requires release of the Province's financial statements (Public Accounts) by August 31st, following each March 31st, fiscal year end. While the legislated date is August 31st, the targeted release date is June 30th.

Variance Information: The *Public Accounts and the Ministerial Accountability Report* required under the *Balanced Budget and Ministerial Accountability Act* (BBMAA) for fiscal 2003/04 were released on time on June 29, 2004. This is one of the earliest releases of financial information of the provinces reporting.

Objective 4.2: Increase transparency and accountability for both expenditures and revenues.

Government remains committed to demonstrating the value generated by the resources its receives from the public. Establishing the linkages between the *Estimates*, ministry budgets and the activities of related core business areas are critical for understanding the products and services public funds support. Over the past year, the ministry has played an important role in creating these linkages allowing for on-going evaluations of program cost-effectiveness and potential opportunities for improvement.

Meaningful transparency and accountability also requires that the ministry provide members of the public with timely responses to their inquiries. Frequently, public inquires require the input of specialized areas of the ministry and all public correspondence is treated as a matter of priority.

Core Business: All.

Key Strategies

- Timely response to correspondence.
- All legal encumbrances have been fully complied with, without errors or omissions.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Percentage of responses to ministerial correspondence completed within two weeks	15%	40%	29%	80%	22%	58 percentage points

Selection Rationale: Achieving the ministry standard of completing minister's correspondence within a two-week period ensures correspondents receive timely and relevant information.

Variance Information: Due to the nature and complexity of most inquiries and significant workloads across the ministry, during peak periods of the budget development and Public Accounts processes, a significant proportion of the responses to ministerial correspondence did not meet the timeline standard. A review as to how the minister's correspondence can be better managed, and timelines met will be conducted in 2005/06.

Goal 5: A progressive, innovative and knowledgeable workforce.

The ministry recognizes that the accomplishment of each of our ministry goals was dependent upon the continued support and professionalism of a highly skilled and knowledgeable workforce. It was ministry staff that drove the quality and value of the services we provided to our clients, stakeholders and the people of British Columbia.

In keeping with the government's Public Sector Renewal Initiative, the ministry continued to identify opportunities to enhance leadership, support and developmental opportunities for staff.

Proactive and visionary leadership was promoted at all levels of the organization. Employees were actively involved and participated in Human Resource Management Planning activities.

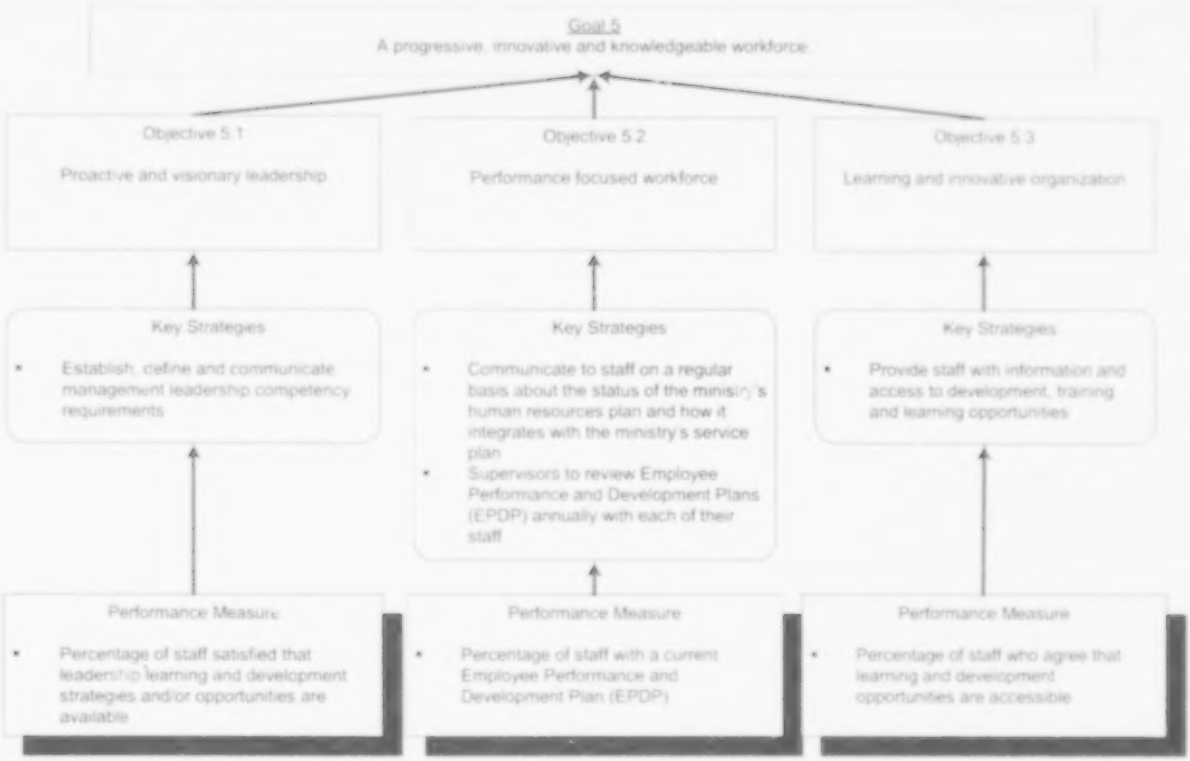
As a result of these efforts, our clients and stakeholders benefited from a progressive, innovative and knowledgeable workforce. The outcomes included efficient, effective staff, with a clear sense of pride and purpose, serving satisfied clients.

Objectives

5.1 Proactive and visionary leadership.

5.2 Performance-focused workforce.

5.3 Learning and innovative organization.


Goal 5
A progressive, innovative and knowledgeable workforce
Objective 5.1
Proactive and visionary leadership
Objective 5.2
Performance focused workforce
Objective 5.3
Learning and innovative organization
Key Strategies
• Establish, define and communicate management leadership competency requirements
Key Strategies
• Communicate to staff on a regular basis about the status of the ministry's human resources plan and how it integrates with the ministry's service plan
• Supervisors to review Employee Performance and Development Plans (EPDP) annually with each of their staff
Key Strategies
• Provide staff with information and access to development, training and learning opportunities
Performance Measure
• Percentage of staff satisfied that leadership learning and development strategies and/or opportunities are available
Performance Measure
• Percentage of staff with a current Employee Performance and Development Plan (EPDP)
Performance Measure
• Percentage of staff who agree that learning and development opportunities are accessible

Objective 5.1: Proactive and visionary leadership.

The ministry actively encouraged leadership at all levels of the organization so that all employees in the ministry were provided with opportunities to develop their expertise and gain the necessary qualifications to perform well in their current positions, and to support individual career goals. This objective recognized that not everyone aspires to advancing to a leadership role, however, employees had opportunities to develop in new and different areas and the ministry supported and encouraged these opportunities.

Core Businesses: All.

Key Strategy

- Establish, define and communicate management and leadership competency requirements.

Performance Measures and Results

Note — the performance measure results for 2004/05 are based on an employee engagement survey conducted during November 2004. Therefore, the actions taken during the second half of 2004/05 to improve Human Resource Management are not reflected in the November 2004 survey results.

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Percentage of staff satisfied that leadership learning and development strategies and/or opportunities are available	N/A	49%	55%	70%	49%	-21 percentage points

Selection Rationale: Providing employees with leadership learning and development strategies and/or opportunities offers members of the ministry important avenues for personal and professional development. These opportunities also benefit the ministry through increased staff capacity and retention.

Variance information: Leadership and development strategies have been encouraged and promoted within the Ministry, however, supply of leadership development courses doesn't appear to be meeting the demand. Many employees remain on waiting lists. The Ministry of Finance is working with the BC Public Service Agency to identify staff training requirements and improved delivery opportunities to ensure an adequate supply of courses and opportunities are available.

Objective 5.2: Performance-focused workforce.

The goals, objectives and key strategies outlined in the ministry's annual service plan provided the basis for all of the ministry's work. Accordingly, the creation of linkages between the day-to-day activities of staff and the strategic direction of the ministry were critical for the delivery of effective and results-oriented services. Staff members reaffirmed the importance of that effort. They were provided with detailed information on how their work contributed to the success of the ministry and clarified how their results supported greater job satisfaction and promoted organizational improvement.

Core Businesses: All.

Key Strategies

- Communicated to staff on a regular basis about the status of the ministry's human resources plan and how it integrates with the ministry's service plan.
- Supervisors to review Employee Performance and Development Plans (EPDP) annually with each of their staff.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Percentage of staff with a current Employee Performance and Development Plan (EPDP)	N/A	23%	67% of managers	100%	58% completed 35% in progress	-7 percentage points

Selection Rationale: Staff EPDP's provide an important linkage between the activities of individuals and the strategic direction of their business unit and the ministry as a whole. Identifying performance expectations within EPDP's also supports greater accountability and improves communication between staff and supervisors. The EPDP exercise also provides staff with opportunities to explore their personal growth and development objectives.

Variance information: The Ministry has promoted EPDP's and provided related training and education for employees and management. Since many staff are going through the EPDP process for the first time, it continues to be a learning process and takes more time.

Objective 5.3: Learning and innovative organization.

Given the pace of change in both the private and public sectors the ministry encouraged a management and operating culture that embraced new ideas and ways of doing business. Members of the ministry were provided with opportunities to accept appropriate levels of risk, to innovate and to change. This cultural shift relied upon open communication with staff, mutual trust and the development of new skills and non-traditional learning opportunities.

Core Businesses: All.

Key Strategy

- Provided staff with information and access to development, training and learning opportunities.

Performance Measures and Results

Performance Measure	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual	2004/05 Variance
Percentage of staff who agree that learning and development opportunities are accessible	N/A	66%	44%	75%	62%	-13%

Selection Rationale: Providing staff with on-going learning and development opportunities will enhance the quality of service and improve staff retention.

Variance information: Training and development opportunities were available, however due to work pressures, some employees either postponed or cancelled their training to meet operational requirements. The Ministry is working with the BC Public Service Agency to expand training offerings with due regard to ministry work cycles around preparation of the budget and public accounts.

Deregulation

The province's three-year deregulation initiative was fully implemented by December 31, 2004. The Ministry of Finance reported a 43 per cent net reduction in regulatory requirements by the end of the 2004/05 fiscal year.

In 2004/05, a number of legislative initiatives were implemented, including:

- Amendments to the *Financial Institutions Act* and *Credit Union Incorporation Act* eliminated unnecessary restrictions and requirements, streamlined regulatory responsibilities, and expanded the enforcement tools available to regulators.
- The *Real Estate Act*, in effect since 1958, was replaced by the *Real Estate Services Act* and the *Real Estate Development Marketing Act*. The *Real Estate Services Act* gives the Real Estate Council of British Columbia direct jurisdiction over the regulation of licensees, ensuring that the real estate sector can more quickly respond to changes in the marketplace in order to serve consumers better. The *Real Estate Development Marketing Act* streamlines the process for developers' marketing activities, while maintaining consumer protection.
- Amendments to the *Partnership Act* enabled the creation of a new type of business entity in BC called a limited liability partnership. The limited liability afforded partners in a limited liability partnership is similar in many ways to the limited liability that shareholders of corporations enjoy, and it also provides many of the same benefits.
- The *Society Act* was amended to enable the Corporate Registry to streamline document filing and update provisions of the Act. These changes will result in time and cost savings for societies, many of which are not-for-profit and run by volunteers.

Looking forward, ministries have been asked to look for ways to modernize the regulatory system and, in doing so, maintain a zero net increase in regulatory requirements, based on the new streamlined regulatory requirement count. We will continue to make improvements in our regulations, ensuring that we regulate in the most cost efficient and effective manner possible.

Report on Resources

The following table summarizes the budgeted and actual expenses for the ministry for fiscal 2004/05. Overall, the ministry is under spent by nearly $1.8 million. Variances are calculated as "Actual" minus "Total Estimated" = "Variance", so that overspending will be without brackets and underspending in brackets.

Most of the underspending in the Ministry of Finance relates to recruitment lag and not filling vacant positions. The equivalent of 42 full time equivalent positions were vacant at some point during the year.

2004/05 Resource Summary

Core Business Areas	Estimated	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)
Operating Expense					
Ministry Operations — Vote 22					
Financial and Economic Performance and Analysis	5,946,000		5,946,000	5,414,646	(531,354)
Financial Governance, Accounting and Reporting	6,313,000		6,313,000	5,645,208	(667,792)
Treasury	1,000		1,000	0	(1,000)
Financial and Corporate Sector Services	4,236,000		4,236,000	5,544,723	1,308,723
Public Sector Employer's Council (Vote 23)	14,693,000		14,693,000	14,430,978	(262,022)
Executive and Support Services	14,801,000		14,801,000	13,159,068	(1,641,932)
TOTAL Vote 22 and Vote 23	**45,990,000**		**45,990,000**	**44,194,623**	**(1,795,377)**

Core Business Areas	Estimated	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)
Full Time Equivalents (Direct FTEs)					
Financial and Economic Performance and Analysis	63		63	50	(14)
Financial Governance, Accounting and Reporting	117		117	101	(16)
Treasury	74		74	64	(10)
Financial and Corporate Sector Services	148		148	142	(6)
Public Sector Employer's Council	13		13	12	(1)
Executive and Support Services	99		99	103	4
TOTAL Vote 22 and Vote 23	**514**		**514**	**472**	**(42)**
Capital Expenditures					
Ministry Capital — Vote 22					
Financial and Economic Performance and Analysis	45,000		45,000	0	(45,000)
Financial Governance, Accounting and Reporting	215,000		215,000	156,621	(58,379)
Treasury	2,032,000		2,032,000	1,508,975	(523,025)
Financial and Corporate Sector Services	2,301,000		2,301,000	2,129,109	(171,891)
Public Sector Employer's Council (Vote 23)	98,000		98,000	31,069	(66,931)
Executive and Support Services	830,000		830,000	8,725	(821,275)
Total Vote 22 and Vote 23	**5,521,000**		**5,521,000**	**3,834,499**	**(1,686,501)**

Insurance and Risk Management (IRMA)	Estimated	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)
Operating Expenses	0		0	(76,308)	(76,308)
FTEs	43		43	44	1
Capital Expenditures	725,000		725,000	40,000	(685,000)

Appendix 1: Supplementary Reporting Information

Serving ministry clients

The Ministry of Finance serves the needs of the government and provides services directly to the public. The ministry's primary clients include Treasury Board, Government Caucus Committees, and ministries.

Ministry staff are highly trained and knowledgeable professionals who provide expert non-partisan strategic advice to Treasury Board, policy deliberations support for Government Caucus Committees and strategic direction to ministries.

The ministry is responsible for producing the annual *Budget and Fiscal Plan*, *Estimates* and *Public Accounts* for the province. These documents are available at http://www.fin.gov.bc.ca/pubs.htm *.

The *Budget and Fiscal Plan* contains the economic and fiscal forecasts for the next fiscal year and all material assumptions and policy decisions underlying the economic and fiscal forecasts.

The *Estimates* provides an overview of the provincial government's financial plan for the next fiscal year and detailed information of the government's proposed *Supply Act* appropriations. The *Estimates* is debated and approved by members of the legislature.

The *Public Accounts* are one of the major accountability documents for the Provincial Government. They demonstrate accountability to the citizens of British Columbia by providing actual audited financial information and allow the reader to see how government performed relative to its fiscal plan for the year, as laid out in the Budget and Estimates of revenue and expenditure.

The ministry provides direct services to the public through its online registries which includes the Corporate Registry, Personal Property Registry, Manufactured Home Registry and OneStop Business Registry. These registries facilitate online registration of businesses, personal property interests, and manufactured homes. Further information on these registries are available at http://www.fin.gov.bc.ca/registries/ *.

The ministry also provides regulatory services through the Financial Institutions Commission that provides oversight over credit unions, insurance companies, real estate and mortgage brokers and pension trusts that are based in British Columbia.

Annual financial reporting information is prepared by the ministry using generally accepted accounting principles. These principles are established by the Public Sector Accounting

* *Refer to note on page 3.*

Board, which is part of the Canadian Institute of Chartered Accountants. Financial information is also audited by the Auditor General, so public users can have confidence that it fairly represents the financial position of the government and provides consistent unbiased reporting.

Linking Goals and Objectives and explaining variances

The ministry's mission, goals and objectives are clearly set forth in this report. Most of the ministry objectives for fiscal 2004/05 have been met and there were some major successes this year. Where there were variances between the performance target and actual results, we have provided an explanation. Where targets were not met, the ministry will continue to strive to attain these.

Attaining goals like balancing the budget, paying down debt and achieving an improved credit rating for the province help to reduce debt servicing costs. This leaves more funds available for other government priorities such as health care and education.

Helping to Meet the Government's Fiscal Plan

The key government goal that relates to the Ministry of Finance is to achieve "a strong and vibrant provincial economy." This links to creating employment opportunities and having affordable, fiscally responsible government. Each of the ministry's objectives links to these broader government objectives.

The ministry's success in restoring sound fiscal management was recognized by the following three major credit rating agencies: Standard and Poor's, Moody's and Dominion Bond Rating Service.

The ministry recognizes that all performance measures reported in the 2004/05 - 2006/07 Service Plan are important; however, focusing on the most critical performance measures allows the ministry to better define its success in achieving its goals and objectives.

In its efforts to focus on the few, critical aspects of performance, the ministry reviews its objectives and performance measures with a view to improving them. Over time, performance measures are deleted or added, to provide meaningful and objective information to inform readers of this report.

Dealing with risks and building capacity

The ministry recognizes that risk management is an integral facet of all business processes. To minimize potential risks to achieving the ministry's goals, the ministry has implemented the following risk strategies:

- The provincial debt portfolio is managed within the risk policy parameters set by the Ministry of Finance Risk Committee.
- The ministry monitors risks and opportunities throughout the year. These may include dealing with emergencies such as an unusually bad forest fire season or assisting victims of a tragedy. Cost pressures are managed within the financial resources available.

- A contingencies appropriation has been included in the government budget that provides additional funding for unanticipated events. This includes natural disasters, emergency relief and assistance for those in need.
- Various debt management functions have been consolidated, affecting a more efficient process for government borrowing in order to meet approved spending. The risk of errors is managed through on-going checks and procedural controls.
- The ministry manages liabilities against government and the SUCH sectors as well as providing business continuity strategies, investment strategies to reduce government's exposure to lost opportunities, general advice on risk management and facilitating acquisition of insurance for clients.
- The ministry coordinates a public sector self-insurance program allowing the government to cost-effectively retain selected risks rather than transferring them at a premium to third parties, producing annual savings for government.
- The ministry utilizes a risk-based approach for post-payment monitoring of expenditures and allocating internal audit resources. These risk-based approaches save money for government.
- Provide risk management/risk awareness training to staff.

Capacity relates to an organization's ability to continue to thrive and meet its targets and challenges in the future. One key challenge facing the ministry is its ability to recruit and retain professionally trained and qualified staff. Due to skill shortages, the ministry has been working hard to develop a recruitment retention plan which includes the implementation of the Graduate Development Program.

Resources, Strategies and Results

The ministry had a budget surplus exceeding $1.7 million at the end of fiscal 2004/05 and did not utilize the equivalent of 40 FTEs. The surplus is primarily attributed to recruitment lag and over-recoveries.

The ministry was successful in meeting most of its key goals and objectives. Additional funding is available to the ministry in 2005/06 to pursue some needed projects.

The ministry will continue striving to meet and refine its key objectives and include additional objectives as capacity permits.

Appendix 2: Public Affairs Bureau

On September 9, 2004, the Premier publicly announced that ministerial responsibility for the Public Affairs Bureau was being transferred to the Minister of Finance. At that time, the Minister of Finance assumed responsibility for the office, including administration and spending decisions. However, as the formal budget transfer of the Public Affairs Bureau to the Ministry of Finance did not occur until the 2005/06 *Estimates*, the disclosure of the 2004/05 appropriation and related spending is reflected in the figures for the Office of the Premier and is therefore not included in the figures for the Ministry of Finance.

Office Overview

Public Affairs Bureau

The Bureau leads and coordinates communications with internal and external stakeholders, and ensures that information about government programs and services is accessible to British Columbians.

Goal

Government communicates its policies and priorities to the public in an open and transparent manner.

Objective

Effective communication of government's strategic priorities to the public in a consistent and informative manner.

Key Strategies

Strategies to achieve this objective included:

1. Government's Strategic Plan and ministry and Crown corporation service plans were published on the government's website.
2. Government's, ministry and Crown corporation annual reports were published on the government's website.
3. Government's communications structures were aligned to ensure co-ordination between Ministers' Offices and their ministries.
4. Information was communicated to the public through a variety of sources (MLAs, media, support materials, public events and forums, public policy studies and reports and fact-based advertising) as appropriate.

Performance Measure	2003/04 Actual	2004/05 Target	2004/05 Actual
Open Cabinet meetings held monthly.	7 open cabinet meetings were televised and webcast.	Monthly open cabinet meetings are televised and webcast.	Achieved: 6 open cabinet meetings televised and webcast.
Service Plans are published on the government website.	100 per cent.	100 per cent.	Achieved.
Annual Reports are published on the government website.	100 per cent.	100 per cent.	Achieved.
Provide timely responses to the media from appropriate ministries.	Media responses provided 24 hours per day, seven days per week.	Media responses provided 24 hours per day, seven days per week.	Achieved.

Report on Resources

The following table summarizes the budgeted and actual expenses for the Public Affairs Bureau for fiscal 2004/05. Overall, the Bureau is under spent by $574,000.

Variances are calculated as "Actual" minus "Total Estimated" = "Variance", so that overspending will be without brackets and underspending in brackets.

2004/05 Resource Summary

	Estimated[1]	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)[2]
Operating Expenses ($000)					
Public Affairs Bureau	33,105		33,105	32,531	(574)
Full-time Equivalents (Direct FTEs)					
Public Affairs Bureau	199		199	182	(17)
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
Public Affairs Bureau	485		485	318	(167)

[1] Estimated amounts correspond to the Estimates presented to the Legislature on February 17, 2004.

[2] Variance display convention has been changed this year to be consistent with the change introduced in public accounts. Variance is in all cases "Actual" minus "Total Estimates". Where the Actual is greater the Variance is displayed without brackets.

Appendix 3: Crowns, Agencies, Boards and Commissions reporting to the Minister of Finance

Corporations:

Partnerships B.C.

BC Investment Management Corporation

Boards:

Auditor Certification Board

BC Investment Management Board

Financial Institutions Commission

Financial Services Tribunal

Insurance Council of British Columbia

Real Estate Foundation of British Columbia

Real Estate Council of British Columbia

Appendix 4: Legislation

The Minister of Finance is administratively responsible for the following statutes:

Auditor General Act

Balanced Budget and Ministerial Accountability Act

Bonding Act

British Columbia Railway Financing Act

Budget Transparency and Accountability Act

Business Corporations Act

Business Number Act

Community Services Labour Relations Act

Constitution Act, ss. 25–27

Cooperative Association Act

Credit Union Incorporation Act

Creditor Assistance Act

Financial Administration Act

Financial Information Act

Financial Institutions Act

Industrial Development Act

Insurance Act

Insurance (Captive Company) Act

Insurance (Marine) Act

Manufactured Home Act

Ministry of Consumer and Corporate Affairs Act, ss. 3, 4(a)

Ministry of Intergovernmental Relations Act, s. 3

Miscellaneous Registrations Act, 1992

Mortgage Brokers Act

Mutual Fire Insurance Companies Act

Pacific North Coast Native Cooperative Act

Partnership Act

Pension Agreement Act

Pension Benefits Standards Act

Pension Fund Societies Act

Personal Property Security Act

Probate Fee Act

Public Education Labour Relations Act

Public Education Support Staff Collective Bargaining Assistance Act

Public Sector Employers Act

Public Sector Pension Plans Act

Public Works Agreement Act

Real Estate Development Marketing Act

Real Estate Services Act

Repairers Lien Act

Society Act

Special Accounts Appropriation and Control Act

Strata Property Act

Tugboat Worker Lien Act

Unclaimed Property Act

Warehouse Lien Act

Warehouse Receipt Act

Woodworker Lien Act

Appendix 5: Interprovincial comparison statistics prepared by Moody's

Taxpayer-supported Debt as a % of GDP (Moody's)[1]

Province	Taxpayer-supported Debt as a % of GDP[1]
British Columbia	18
Alberta	4.3
Saskatchewan	23.8
Manitoba	22.6
Ontario	28.2
Quebec	44.6
New Brunswick	27.4
Prince Edward Island	35
Nova Scotia	39.3
Newfoundland and Labrador	38.1

[1] Estimates for March 31, 2005 calculated in May 2005

Ratio of Taxpayer Supported Debt Service Costs to Taxpayer Supported Revenues (Moody's)

Province	Ratio of Taxpayer Supported Debt Service Costs to Taxpayer Supported Revenues (%)[1]
British Columbia	6
Alberta	1.6
Saskatchewan	9.3
Manitoba	8.7
Ontario	12.6
Quebec	13.4
New Brunswick	11
Prince Edward Island	10.5
Nova Scotia	18.1
Newfoundland and Labrador	11.6

[1] Estimates for March 31, 2005 calculated in May 2005

Comparison of Provincial Credit Ratings (Moody's)

Province	Credit Rating	
British Columbia	Aa1	Stable outlook
Alberta	Aaa	Stable outlook
Saskatchewan	Aa3	Stable outlook
Manitoba	Aa2	Stable outlook
Ontario	Aa2	Stable outlook
Quebec	A1	Positive outlook
New Brunswick	Aa3	Stable outlook
Prince Edward Island	A2	Stable outlook
Nova Scotia	A2	Stable outlook
Newfoundland and Labrador	A3	Stable outlook

Moody's rating classification going from the highest rating to lowest in the above table is as follows:

- Aaa
- Aa1
- Aa2
- Aa3
- A1
- A2
- A3